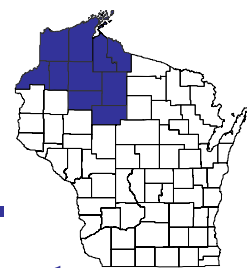


WORKFORCE OBSERVATIONS

for Northwest Wisconsin counties

Ashland, Bayfield, Burnett, Douglas, Iron, Price, Rusk, Sawyer, Taylor, and Washburn



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In this issue:

- > PCPI growth in Northwest Wisconsin exceeds state and national increases.
- > 44 of the state's 72 counties have a higher PCPI than any northwest county.
- > Transfer receipts comprise a greater share of income in Northwest Wisconsin than in the state or nation.
- > > > > >
- > Labor force estimates top 100,000 in second quarter 2006.
- > Area unemployment rate of 5.9 percent higher than one year ago.
- > Unemployment claims drop from first quarter highs.
- > Consumer price increases ease slightly.

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Northwest Counties Rank Low in Per Capita Personal Income

Total personal income of residents living in the ten-county area of Northwest Wisconsin rose 6.0 percent from 2003 to 2004, according to the most recent data published by the Bureau of Economic Analysis (BEA). The increase locally is consistent with the rise of 6.0 percent nationally and 5.5 percent in Wisconsin. Over the five-year period, however, changes in total personal income (TPI) lagged changes in Wisconsin and the nation.

Personal income defined by the BEA includes net earnings by place of residence; rental, dividend, and interest income; and current transfer payments. It differs from other measures of personal income in that it includes some imputed income, lump-sum payments, transfer receipts, interest, and employer contributions. Local area personal income is published annually (generally in April or May) for every county and metropolitan area in the United States. State and national personal income is updated quarterly. Total personal income, and the derived PCPI, is a popular measure of income used to analyze an area's economy.

population produces a per capita personal income (PCPI) in Northwest Wisconsin of \$24,399 in 2004, much lower than PCPI in Wisconsin of \$32,166 which is lower than PCPI in the nation of \$33,050. Population is a significant component of PCPI that is often neglected when PCPI is compared among areas. In the northwest population growth lags changes in both the state and nation plus the area has a greater share of wage-earners (fewer young residents). This is one reason that the northwest PCPI increased 5.8 percent from 2003 to 2004 and exceeded changes of 4.9 percent in the state and 5.0 percent in nation.

Other factors can also influence PCPI and the measure needs to be used with some caution. Changes caused a single occurrence such as a major construction project, or the presence of a large institutional population such as a college or prison influence total income. Comparatively low or high PCPI can also be influenced by a younger or older population that contributes less income than a population in their prime working years.

Dividing total personal income by the local

(Continued on page 2)

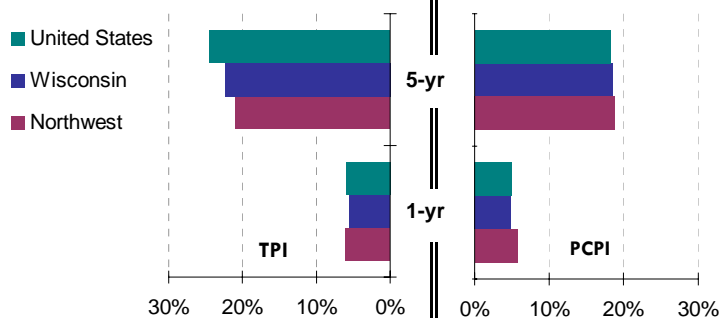
Per Capita Personal Income for Northwest Wisconsin Counties

	Total Personal Income (x1000) 2004	Per Capita Personal Income 2004	2003	Percent Change 2003-04	1999-04	2004 Rank
Wisconsin	\$177,026,243	\$32,166	\$30,664	4.9%	18.5%	
Metropolitan Wis.	\$135,269,947	\$34,002	\$32,516	4.6%	18.2%	
Non-metro Wis.	\$41,756,296	\$27,378	\$25,840	6.0%	19.6%	
Ashland	\$408,808	\$24,502	\$22,966	6.7%	20.3%	55
Bayfield	\$364,458	\$24,046	\$22,595	6.4%	17.8%	63
Burnett	\$400,508	\$24,275	\$23,086	5.2%	20.8%	59
Douglas	\$1,090,764	\$24,770	\$23,795	4.1%	16.0%	52
Iron	\$162,360	\$24,349	\$22,683	7.3%	24.2%	57
Price	\$400,188	\$26,100	\$24,289	7.5%	20.6%	45
Rusk	\$333,398	\$21,851	\$20,311	7.6%	17.3%	71
Sawyer	\$427,041	\$25,615	\$24,192	5.9%	17.9%	48
Taylor	\$474,911	\$24,083	\$22,910	5.1%	18.8%	62
Washburn	\$397,467	\$23,954	\$22,446	6.7%	18.4%	65
Northwest	\$4,459,903	\$24,399	\$23,068	5.8%	18.8%	

Source: US Dept. of Commerce, Bureau of Economic Analysis, May 2006

Local Area Personal Income

	Total Personal Income (TPI) in thousands			Per Capita Personal Income (PCPI)		
	2004	2003	1999	2004	2003	1999
Northwest	\$4,459,903	\$4,206,296	\$3,687,156	\$24,399	\$23,068	\$20,532
Wisconsin	\$177,026,243	\$167,785,798	\$144,702,139	\$32,166	\$30,664	\$27,135
United States	\$9,705,504,000	\$9,157,257,000	\$7,796,137,000	\$33,050	\$31,484	\$27,939
Percent Change		1-year	5-year		1-year	5-year
Northwest		6.0%	21.0%		5.8%	18.8%
Wisconsin		5.5%	22.3%		4.9%	18.5%
United States		6.0%	24.5%		5.0%	18.3%



That said, the increase in PCPI in Northwest Wisconsin from 2003 to 2004 of 5.8 percent exceeded one-year increases in both the state and the nation of 4.9 and 5.0 percent, respectively. Of the ten counties within the region, three; Rusk, Price and Iron, posted one-year gains that exceeded 7.0 percent. Three counties; Ashland, Washburn and Bayfield, had increases that met or exceeded 6.0 percent.

Of the northwest counties only Douglas has total personal income over one billion dollars, but in the last year had the smallest increase in PCPI among the ten northwest counties, and the one-year change ranked eighth lowest in the state. The primary reason for the low rank in growth were net earnings that lagged the state and many counties in the state.

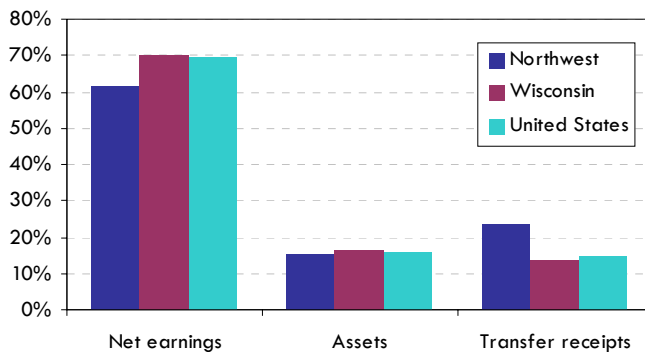
Net earnings, which include income from wage and salary employment, self-employment, proprietorships, and an adjustment for workers traveling out of the area for work, has always been a proportionately low share of total personal income in the counties of Northwest Wisconsin. In 2004 net earnings comprised only 61 percent of total personal income com-

pared with 69.9 and 69.5 percent in Wisconsin and the United States, respectively.

As mentioned net earnings includes an adjustment for wages earned by residents leaving the county and by non-residents who work for county employers. For the most part the latter is true in Northwest Wisconsin. More residents leave the area for work than nonresidents who travel to employers located in the ten counties. The highest residency adjustment in the region is in Bayfield County, where over one-third of net earnings is from residents who leave the county for work, most of whom are traveling to jobs in Ashland County.

Changes in net earnings tend to domi-

Components of 2004 Total Personal Income



Source: US Dept. of Commerce, Bureau of Economic Analysis, May 2006

nate overall changes in TPI and PCPI. As a group, net earnings are the largest source of income in an area and are more likely to reflect changes to wages and earnings in the work place.

The occupational composition of an area is significant to net earnings. Workers in professional and technical jobs, in general, earn more than workers in other occupations. Compared with other areas of Wisconsin there are fewer, high-paying professional and technical jobs in the northwest region. Even the metropolitan areas in Wisconsin, where professional and technical jobs tend to be more prevalent, have a smaller share of these jobs than in many other areas of the nation. The PCPI in Wisconsin metro areas was 98 percent of the PCPI in the United States metro areas of \$34,668.

The relatively lower proportion of net earnings in Northwest Wisconsin results in a larger proportion of transfer receipts. Transfer receipts include payments such as social security, Medicare, railroad retirement, income maintenance, unemployment and worker's compensation, and disaster relief, and are less likely to include significant increases. In Northwest Wisconsin transfer receipts comprise over 23 percent of TPI compared with 13.7 percent in Wisconsin and 14.7 percent in the United States.

This high share of transfer receipts in personal income reflects a larger elderly population that lives in the ten-county area and the higher share of seasonal jobs (laid off workers who receive unemployment benefits during the off-season). Over 17 percent of the northwest population is aged 65 years and over compared with 13 percent in the State of Wisconsin. Plus, 24 percent of the workers in the region are at work for less than 40 weeks per year versus 19 percent in the state.

The bottom line, regardless of explanations, is that some of the lowest per capita personal income is experienced by residents of counties in Northwest Wisconsin. The highest PCPI among the ten counties in 2004 of \$26,100 was in Price County and that ranked only 45th among the state's 72 counties.

Workforce Changes in Second Quarter 2006

The labor force in Northwest Wisconsin topped 100,000 in the second quarter of 2006. This is only the second time the region's labor force exceeded the 100,000 mark - it first achieved this in third quarter 2005. The difference between now and then is that now there are more unemployed residents.

In fact, there were more unemployed residents in second quarter 2006 than in the same quarter 2005. The additional number of unemployed pushed the unemployment rate up to 5.9 percent in 2Q2006, higher than in the same period in 2005, even though the number of residents with jobs in 2006 was higher.

Nearly every county in the region reported more residents out of work and looking for jobs but the increase was significant in two counties: Price and Ashland. Overall, half of the increase in unemployment in the region occurred in Price County and is related to Smart Papers closing their facility in mid-March and leaving over 300 workers jobless. For these workers, though, the future is looking a bit brighter since the plant is being prepared to re-open by mid-August under new ownership.

One would suppose that an increase in the number of unemployed among the region's counties would mean that employers are laying off workers. But that is not always the case, especially during the weeks that follow summer recess from area schools. During these weeks, jobseekers flood the labor market either with, or without, a job. Those without a job are included in the count of unemployed.

More specifically, eight of the ten counties showed an increase in the number of unemployed during the second quarter but the number of residents filing claims for unemployment compensation were higher over the year in only four of the northwest counties - Ashland, Burnett, Price, and Sawyer. That means that some of the increase in unemployed in the region was from influx of new

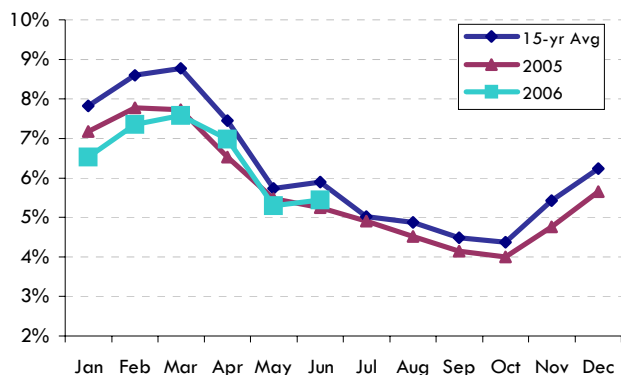
Labor Force Estimates* for Northwest Wisconsin

	Qtr 2 2006	Qtr1 2006	Qtr 2 2005	Qtr 2 2006	Qtr1 2006	Qtr 2 2005
Ashland						
Labor force	9,629	9,215	9,399	9,018	8,804	8,742
Employed	8,976	8,608	8,836	8,390	8,316	8,265
Unemployed	653	607	563	628	488	478
% unemployed	6.8	6.6	6.0	7.0	5.5	5.5
Bayfield						
Labor force	8,419	8,320	8,252	8,159	8,267	8,167
Employed	7,908	7,584	7,785	7,601	7,613	7,636
Unemployed	511	736	467	558	654	531
% unemployed	6.1	8.8	5.7	6.8	7.9	6.5
Burnett						
Labor force	8,777	8,613	8,502	9,682	9,257	9,433
Employed	8,300	7,989	8,058	9,078	8,480	8,889
Unemployed	477	624	444	604	777	544
% unemployed	5.4	7.2	5.2	6.2	8.4	5.8
Douglas						
Labor force	23,089	22,924	22,773	11,182	11,323	11,408
Employed	21,943	21,517	21,618	10,617	10,556	10,696
Unemployed	1,146	1,407	1,155	565	767	712
% unemployed	5.0	6.1	5.1	5.1	6.8	6.2
Superior, City						
Labor force	14,238	14,077	14,070	8,880	8,562	8,651
Employed	13,553	13,290	13,352	8,375	7,888	8,147
Unemployed	685	787	718	505	674	505
% unemployed	4.8	5.6	5.1	5.7	7.9	5.8
Iron						
Labor force	3,171	3,318	3,140	100,007	98,604	98,468
Employed	2,916	3,001	2,887	94,105	91,552	92,815
Unemployed	255	317	254	5,902	7,051	5,653
% unemployed	8.0	9.6	8.1	5.9	7.2	5.7

* not seasonally adjusted

Source: WI DWD, BWi, Local Area Unemployment Statistics, July 2006

NORTHWEST WDA-7 Unemployment Rates



jobseekers.

And, in spite of the loss of jobs from the Park Falls plant, employment in the region did climb to over 94,000 during the second quarter. This exceeds the number of employed during the same quarter one year ago of 92,815 and is 2,550 higher than during the first quarter of 2006.

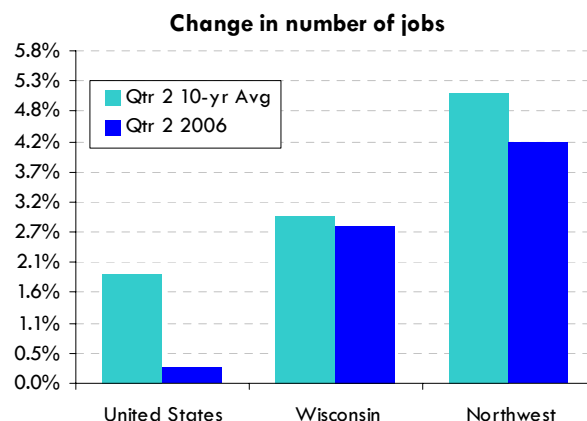
The increase in number of employed in the region is a seasonal phenomenon that occurs during the second quarter when employers recall many workers to jobs that were suspended during the winter months and when employers create new jobs.

This year employers added roughly 3,000 jobs during the months of April, May and June. Over half of those jobs were added by construction (830 jobs), and leisure and hospitality employers (1,005 jobs), two industries

(Continued on page 4)

with a large seasonal workforce. However, employers from most industry sectors added jobs during the second quarter. Only one industry, manufacturing, had fewer jobs in 2Q 2006 than in the previous quarter but even here the loss of 175 jobs is less than the number of jobs cut in Price County.

Historically, some of the jobs added during the spring rush are retained through the end of the year. In the previous ten years only 2002 showed a deficit at the end of the year. The region's job count, however, is currently down 260 from one year ago but most of the deficit should disappear as the paper mill in Park Falls comes on-line.

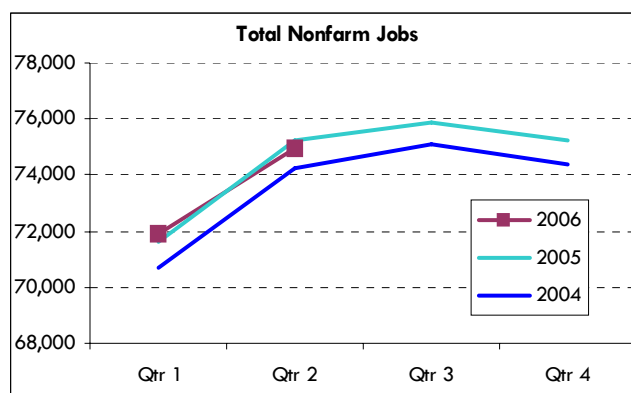


Nonfarm Wage and Salary Employment Estimates for Northwest Wisconsin Counties

	Qtr 2 2006	Qtr 1 2006	Qtr 2 2005	Qtr 2 2006	Qtr 1 2006	Qtr 2 2005	Qtr 2 2006	Qtr 1 2006	Qtr 2 2005	Qtr 2 2006	Qtr 1 2006	Qtr 2 2005	Qtr 2 2006	Qtr 1 2006	Qtr 2 2005
	Ashland			Bayfield			Burnett			Douglas			Iron		
Total Nonfarm jobs	9,275	8,935	9,191	4,287	3,902	4,248	5,451	5,029	5,305	17,267	16,662	17,617	2,160	2,177	2,190
Const/Min'g/Nat. Resources	525	428	545	221	187	223	301	237	306	932	718	914	256	193	246
Manufacturing	1,307	1,291	1,294	186	179	178	947	939	939	1,203	1,179	1,202	272	273	288
Trade	990	970	1,005	584	537	554	692	629	695	2,765	2,698	2,896	398	397	397
Transportation & Utilities	279	268	247	97	82	103	127	128	127	2,020	1,952	2,000	63	68	56
Financial Activities	329	318	330	166	159	159	174	147	152	507	497	504	63	73	63
Education & Health Services	1,758	1,754	1,735	353	329	336	604	601	614	1,979	1,993	1,951	290	288	305
Leisure & Hospitality	899	781	908	958	802	958	566	475	568	2,213	2,040	2,234	287	357	296
Info, Prof/Bus.Srv, Othr Srv.	1,151	1,104	1,062	381	336	389	463	428	450	2,430	2,389	2,709	140	142	139
Total Government	2,037	2,021	2,065	1,342	1,291	1,348	1,576	1,445	1,455	3,218	3,194	3,207	392	387	401
	Price			Rusk			Sawyer			Taylor			Washburn		
Total Nonfarm jobs	6,591	6,699	6,810	6,164	6,046	6,250	7,646	6,992	7,551	9,172	8,964	9,321	6,938	6,503	6,730
Const/Min'g/Nat. Resources	245	215	243	199	171	212	486	378	462	408	264	560	302	249	300
Manufacturing	2,267	2,579	2,508	1,948	1,945	2,022	516	491	524	2,677	2,687	2,740	1,199	1,137	1,169
Trade	904	888	873	873	854	875	1,270	1,216	1,264	1,483	1,459	1,443	1,056	985	1,030
Transportation & Utilities	68	68	69	173	168	170	116	122	121	418	401	416	237	237	225
Financial Activities	201	199	206	146	145	146	324	310	308	356	345	326	237	225	232
Education & Health Services	934	934	927	532	526	543	692	684	675	1,041	1,042	1,056	980	980	970
Leisure & Hospitality	405	348	397	368	377	353	1,156	862	1,115	497	445	511	757	614	752
Info, Prof/Bus.Srv, Othr Srv.	571	555	578	656	634	635	1,006	960	989	1,241	1,281	1,231	635	595	607
Total Government	996	912	1,009	1,268	1,227	1,293	2,081	1,969	2,093	1,051	1,041	1,037	1,536	1,480	1,445

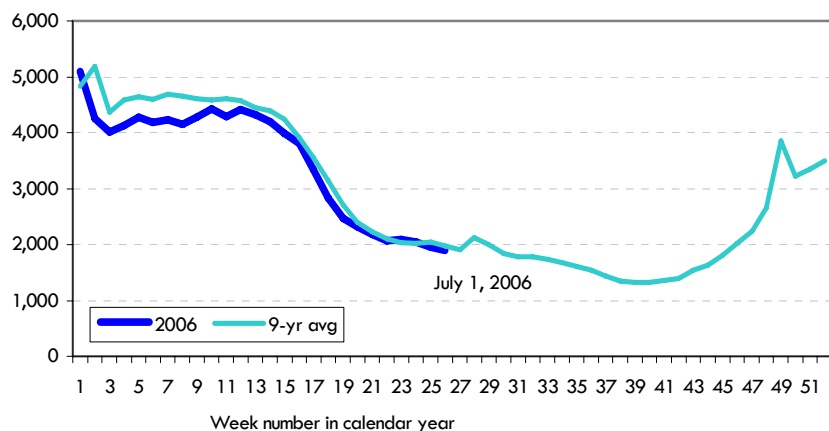
Current quarter preliminary. Estimates based on March 2004 benchmark. Summing from unrounded numbers.

Northwest Wisconsin	Qtr 2 2006	Qtr 1 2006	Qtr 2 2005
Total Nonfarm jobs	74,951	71,909	75,213
Const/Min'g/Nat. Resources	3,874	3,041	4,012
Manufacturing	12,523	12,700	12,863
Trade	11,015	10,633	11,031
Transportation & Utilities	3,597	3,495	3,535
Financial Activities	2,502	2,418	2,425
Education & Health Services	9,162	9,131	9,113
Leisure & Hospitality	8,106	7,101	8,093
Information, Professional & Business Srv, & Other Services	8,674	8,423	8,790
Total Government	15,497	14,968	15,353



The Workforce Album: Second Quarter, 2006

Northwest Wisconsin Weekly Claims for Unemployment Benefits



Source: DWD, Unemployment Compensation Division

- > Increases in the Consumer Price Index, lead by rising fuel and energy costs, outpaced historical trends in the second quarter of 2006, rising 1.7 percent from 1Q2006 and 4.0 percent from 2Q2005.
- > The increase in CPI, including the more volatile energy and food indexes, slowed in June after rising sharply in April and May.
- > Compensation costs for private sector workers rose 0.9% from March to June 2006, after advancing 0.8% in the prior quarter. State and local government costs rose 0.4% during the quarter following a 0.5% in the prior quarter.
- > Annual compensation cost for all civilian workers increased 3.0 percent for the year ended June 2006, moderating from the 3.2 percent for the over-the-year increase for June 2005.

Consumer Price Index - All items (not seasonally adjusted)	Change over previous quarter				over yr Qtr 2 2005
	Qtr 3 2005	Qtr 4 2005	Qtr 1 2006	Qtr 2 2006	
United States	1.2%	0.5%	0.5%	1.7%	4.0%
Midwest cities (50,000-1.5 million pop.)	1.5%	1.6%	0.2%	0.2%	3.5%
Midwest cities (less than 50,000 pop.)	1.4%	1.7%	0.3%	0.2%	3.7%
Employment Cost Index (not seasonally adjusted)					
Civilian total compensation	0.8%	0.6%	0.7%	0.9%	3.0%
Private industry total compensation	0.6%	0.5%	0.8%	0.9%	2.8%
Local & state govt. total compensation	2.0%	0.9%	0.5%	0.4%	3.8%
Civilian wages	0.7%	0.6%	0.7%	0.8%	2.8%
Private wages	0.6%	0.5%	0.7%	1.0%	2.8%
Local & state government wages	1.3%	0.9%	0.3%	0.5%	3.1%
Civilian benefits	1.2%	0.5%	0.9%	0.7%	3.4%
Private industry benefits	0.7%	0.3%	1.0%	0.7%	2.7%
Local & state government benefits	3.1%	1.0%	0.7%	0.6%	5.5%

Source: US Bureau of Labor Statistics

- > The number of residents filing unemployment compensation claims declined during the second quarter from 4,321 in the first week of April to 1,897 at the end of June.
- > In spite of increased claims activity from the closure of Smart Papers in Park Falls the number of claims overall remains slightly below the average.
- > Three-quarters of all claims were filed by manufacturing and construction and natural resources workers due to cutbacks that occurred near the beginning of the quarter.

Initial Claims for Unemployment Benefits by Industry in Qtr 2 2006 in Northwest Wisconsin

